

Message Text

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ACTION EB-07

INFO OCT-01 AF-06 EUR-12 ISO-00 AID-05 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 L-03 H-02 PRS-01 PA-02 (ISO) W

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R 081100Z JUL 75

FM AMEMBASSY BERN

TO SECSTATE WASHDC 932

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY PRETORIA

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS UNN

AMCONSUL ZURICH

UNCLAS SECTION 1 OF 2 BERN 2792

DEPARTMENT PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: EFIN, ECON, SZ

SUBJECT: SWISS FINANCIAL AND ECONOMIC DEVELOPMENT:

WEEK OF JUNE 29 - JULY 5

1. SUMMARY: INCREASE IN US SHORT-TERM INTEREST RATES
BOOSTED VALUE OF DOLLAR IN ACTIVE TRADING. MONEY AND
CPAITAL MARKETS STILL LIQUID AND SWISS INTEREST RATES
CONTINUE TO DECLINE; SWISS NATIONAL BANK (SNB) AUTHORIZED
INCREASE IN CEILING ON FOREIGN BORROWING IN SWISS CAPITAL
MARKET. WHOLESALE PRICES FELL AGAIN IN JUNE FOR SEVENTH
MONTH IN A ROW WHILE CONSUMER PRICES CONTINUED TO CLIMB.
HOUSING CONSTRUCTION PERMITS ISSUED IN MAY INDICATE RE-
CESSION IN BUILDING ACTIVITY MAY BE BOTTOMING OUT. OTHER
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ECONOMIC INDICATORS, HOWEVER, SHOW SWISS ECONOMY STILL

GOING FURTHER INTO RECESSION. SWISS DOMESTIC AND FOREIGN ECONOMIC POLICY EMPHASIS REMAINS MILDLY ANTI-RECESSIONARY.

FINANCIAL

2. FOREIGN EXCHANGE AND GOLD: INCREASE IN US SHORT-TERM INTEREST RATES AND CONTINUED DROP IN SWISS INTEREST RATES STIMULATED DEMAND FOR DOLLARS, AND SPOT DOLLAR STRENGTHENED IN ACTIVE TRADING. GOLD PRICES FLUCTUATED A BIT BUT WERE BASICALLY UNCHANGED. RATES AS FOLLOWS:

	6/30 (OPEN)	7/4 (CLOSE)
SPOT DOLLAR	SF 2.5030	SF 2.5430
FORWARD DISCOUNTS (PCT. P.A.)		
ONE MONTH	- 3.1	- 3.2
3 MONTHS	- 2.8	- 2.9
6 MONTHS	- 2.5	- 2.6
GOLD	\$164.00	\$164.00

3. MONEY AND CAPITAL MARKETS: WITH SNB DOLLAR SWAPS OF SLIGHTLY MORE THAN SF 1 BILLION AND CREDITS TOTALING SF 1.9 BILLION, COMMERCIAL BANKS PASSED MID-YEAR POINT WITH NO LIQUIDITY PROBLEMS. WHILE SOME BANKS WERE QUOTING VERY HIGH CALL MONEY RATES ON JUNE 30, THERE WERE FEW TAKERS AND BY JULY 4 NORMAL CALL MONEY WAS READILY AVAILABLE AT 1.0 PERCENT P.A. CAPITAL MARKET ALSO QUITE LIQUID AND SNB ANNOUNCED CEILING ON FOREIGN SF LOANS WILL BE SF 400 MILLION FOR JULY-AUGUST (UP FROM SF 350 MILLION IN MAY-JUNE, SF 300 MILLION IN MARCH-APRIL, AND SF 230 MILLION IN JANUARY-FEBRUARY). IN ITS ANNOUNCEMENT, SNB NOTED THAT ALL SIGNIFICANT CAPITAL EXPORTS STILL SUBJECT TO COMPULSORY FOREIGN EXCHANGE CONVERSION THROUGH SNB. STOCK MARKETS FAIRLY ACTIVE AND SKA INDEX OF AVERAGE PRICES ROSE FROM 180.6 (END 1959 EQUALS 100) ON JUNE 27 TO 183.7 ON JULY 4. MEDIAN YIELD ON OUTSTANDING CONFEDERATION BONDS CONTINUED LOWER FROM 6.51 PERCENT LAST FRIDAY TO 6.47 PERCENT ON JULY 4.

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R 081100Z JUL 75

FM AMEMBASSY BERN

TO SECSTATE WASHDC 933

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY PRETORIA

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DEPARTMENT PASS TREASURY AND FRB

4. SNB STATEMENT OF ACCOUNT FOR JUNE: MAJOR CHANGES
SHOWN BELOW REFLECT SNB MID-YEAR ASSISTANCE TO COMMERCIAL
BANKS INCLUDING SF 1,044 MILLION IN DOLLAR SWAPS AND AP-
PROXIMATELY SF 1.9 BILLION IN SHORT-TERM CREDITS.

JUNE 30 CHANGE FROM MAY 30
(MILLIONS OF SWISS FRANCS)

ASSETS

GOLD	11,892.7	--	
F/X	10,575.0	UP	858.1
ROSSA BONDS	5,403.0	--	
COMMERCIAL LOANS	1,499.0	UP	1,164.5
LOMBARD LOANS	623.3	UP	177.4
OTHER	1,343.8	UP	244.8

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LIABILITIES

NOTES IN CIRCULATION	18,125.9	UP	253.5
GIRO ACCOUNTS	8,428.0	UP	2,203.1
RESERVES (FOREIGN LIABILITIES)	249.7	UP	46.5
PENALTY DEPOSITS	855.3	UP	86.0
OTHER	3,677.9	DOWN	144.3

BALANCE SHEET TOTALS 31,336.8 UP 2,444.8

ECONOMIC

5. WHOLESALE PRICES FALL AGAIN WHILE CONSUMER PRICES RISE:
WHOLESALE PRICE INDEX FOR JUNE WAS 147.8 (1963 EQUILA 100)
WHICH IS DECLINE OF 0.8 PERCENT FROM MAY AND 3.3 PERCENT

FROM JUNE 1974. SEVEN MONTH DECLINE IN WHOLESALE INDEX HAS STILL NOT HAD MUCH DOWNWARD IMPACT ON RETAIL PRICES. CONSUMER PRICE INDEX FOR JUNE WAS 163.7 (SEPT. 1966 EQUALS 100) WHICH IS 0.4 PERCENT ABOVE PREVIOUS MONTH AND 8.0 PERCENT HIGHER THAT YEAR EARLIER.

6. HOUSING PERMITS: MONTHLY DATA ON PERMITS FOR HOUSING CONSTRUCTION ONE OF FEW LEADING INDICATORS AVAILABLE IN SWITZERLAND. FIGURES FOR MAY 1975, WHEN 1,656 PERMITS ISSUED, GIVE PRELIMINARY INDICATIONS THAT STEADY DECLINE OF BUILDING INDUSTRY OVER PAST TWO YEARS MAY BE BOTTOMING OUT. PERMITS ISSUED IN FIRST FOUR MONTHS THIS YEAR DOWN 37 PERCENT FROM SAME PERIOD LAST YEAR AND 50 PERCENT BELOW JANUARY-APRIL 1973. MAY ISSUANCES, HOWEVER, AT ABOUT SAME LEVEL AS 1974 AND 24 PERCENT LOWER THAN MAY 1973. IN BERN AREA, AT LEAST, THERE NOTICEABLY MORE CONSTRUCTION ACTIVITY IN RECENT MONTHS.

7. OTHER INDICATORS: RETAIL TRADE TURNOVER IN MAY WAS DOWN 1.4 PERCENT IN VALUE AND 8.0 PERCENT IN VOLUME AS COMPARED WITH MAY 1974. IN FIRST HALF OF THIS YEAR, 424 SWISS FIRMS DECLARED BANKRUPTCY--AN INCREASE OF 54.7 PERCENT OVER THE SAME PERIOD IN 1974. PRODUCTION OF SWISS PAPER INDUSTRY DECLINED 25 PERCENT IN FIRST SIX MONTHS OF 1975. SINCE FIRST OF YEAR, APPROXIMATELY 7 PERCENT OF WORKERS IN WATCH INDUSTRY HAVE BEEN LAID OFF; OF THOSE REMAINING, ABOUT 80 PERCENT ARE WORKING SHORT TIME.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC DEVELOPMENT, ECONOMIC REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 08 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BERN02792
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750235-0456
From: BERN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750774/aaaacogt.tel
Line Count: 204
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 13 JAN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <13 JAN 2003 by ThomasVJ>; APPROVED <22 MAR 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SWISS FINANCIAL AND ECONOMIC DEVELOPMENT: WEEK OF JUNE 29 - JULY 5
TAGS: EFIN, ECON, SZ
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006